



Monthly Bulletin

Volume 7, Number 4

October, 2003

MTRA Elects Robert Venchiarutti Secretary

Acting Deputy Commissioner Elected at Annual Conference

Acting Deputy Commissioner Robert Venchiarutti was elected secretary of the Money Transmitters Regulators Association (MTRA) at its annual conference in Orlando, Florida October 19-22, 2003. Mr. Venchiarutti joined the Department of Financial Institutions (DFI) as Staff Counsel in December 2000 and was appointed Acting Deputy Commissioner for the Special Licensees program effective June 1, 2003. The Special Licensees Program regulates money transmitters, issuers of payment instruments (money orders) and issuers of travelers checks.

Mr. Venchiarutti graduated from Georgetown University where he received a Bachelor of Arts degree in Economics. He is a Graduate of Hastings College of the Law, where he was Associate Articles Editor of the Hastings Law Journal. Before joining DFI, Mr. Venchiarutti was in private practice for over five years at law firms in San Francisco.

MTRA fosters cooperation among states and federal agencies for the effective and efficient regulation of money transmitters and check sellers.

Insurance Premium Finance Company Assessment Due

Invoices for the insurance premium finance company assessment were mailed on October 31, 2003. The amount of the assessment on each insurance premium finance company is 0.0238548915780453 percent of total assets. The invoice is due when received and becomes delinquent if not paid within 20 days. After 20 days, the Commissioner shall assess and collect a penalty in addition to the assessment of one (1) percent of the assessment for each month or part of a month that the payment is delayed or withheld, as authorized by section 18351. If an insurance premium finance company fails to pay the assessment as provided in section 18350 on or before the 30th day of December following the day upon which payment is due, the Commissioner may by order summarily suspend or revoke that company's authority to conduct business.

111 Pine Street, Suite 1100, San Francisco, CA 94111-5613
300 South Spring Street, Suite 15513, Los Angeles, CA 90013-1204
1810—13th Street, Sacramento, CA 95814
9609 Waples Street, Suite 100, San Diego, CA 92121
Consumer Compliance

(415) 263-8500
(213) 897-2085
(916) 322-5966
(858) 642-4242
(800) 622-0620

Highlights of 2003 State Chaptered Legislation

Attached is "[Highlights of 2003 State Chaptered Legislation](#)." This summary is a compendium of most but not all of the legislation that may have an impact on financial institutions. Included after a brief description of each measure is a link to the chaptered version of that measure.

We hope you find the "2003 Highlights of State Chaptered Legislation" a productive tool. We encourage any suggestions you may have to improve its usefulness to you and your organization. Please submit your suggestions to Meg Svoboda, Legislative Director for the Department, at (916) 322-5963 or by email at msvoboda@dfi.ca.gov.

Foreign Language Contract Requirement Expanded

Two new bills signed into law this year, SB 146 (Escutia) and AB 309 (Chu), both modify and expand Civil Code Section 1632, which requires businesses in California to provide a Spanish translation of contracts where certain kinds of agreements entered with a consumer were negotiated primarily in Spanish. When the bills are effective next year, the translation requirement will apply to four other languages that have been determined to be the most prevalent in this state after English and Spanish, namely: Chinese, Tagalog, Vietnamese and Korean.

The types of agreements affected include retail installment contracts, automobile sales and leases, certain secured and unsecured loans for personal, family, or household purposes, residential rental agreements for a period of longer than one month, and legal service fee agreements.

The bills clarify that providing a blank, incomplete form of a contract will no longer satisfy the requirement, but that every term and condition of a covered contract must be translated. However, the bill also provides that certain elements of a contract need not be translated. These are: names and titles of individuals and other persons, addresses, brand names, trade names, trademarks, registered service marks, full or abbreviated designations of the make and model of good or services, alphanumeric codes, numerals, dollar amounts expressed in numerals, dates, and individual words and expressions having no generally accepted non-English translation.

Failure to comply with the law may result in rescission of the contract. There are no provisions for damages, though in California, a violation may result in an action under the Unfair Competition Law, codified in Business & Professions Code Section 17200.

The provisions of the bill other than the addition of the four other languages are effective January 1, 2004. The law applies to the additional languages as of July 1, 2004.

Managing the Securities Portfolio

When reviewing their balance sheets many banks are finding a major asset component that wasn't there five years ago, the securities portfolio. In the 1970's, and earlier, it was common for the average community bank to have twenty to forty percent of its total assets invested in securities. However, over the last 20 years we had seen such investments decline dramatically as a result of accounting changes, the decline in core deposits, and the effects of persistent high rates of inflation which made the holding of long-term, fixed-rate assets unattractive. Securities portfolios were often reduced to the minimum level necessary to meet obligations for pledging against public deposits, and other special liabilities.

During the past two years, however, this situation has changed. Many banks have found themselves holding more deposits than they have quality loan demand to fund, and the very low nominal rates of interest on deposits have afforded an opportunity to lock in a favorable spreads between funding costs and securities yields. Management expertise has not, however, kept pace with the growth in assets committed to holding securities, and the desirability of actively managing the portfolios due to the accounting rules in effect. The situation has been further exacerbated by the disappearance of the advice from their principal correspondent banks that the community bank used to be able to rely upon as part of the overall correspondent relationship.

In far too many of our examinations we are finding that the responsibility for managing the securities portfolio has been delegated to a Chief Financial Officer with minimal prior experience in this area, often with a lack of any policy guidance from the board, any established procedures, or meaningful oversight by either the board or the Chief Executive Officer. This can, and has, proven a formula for disaster. At a minimum every bank should have policies which cover:

1. Permissible investments by type of security, obligor, and maturity and investment grade.
2. An approved list of brokers.
3. A policy concerning concentrations.
4. A target average maturity, duration, with acceptable ranges.
5. A prior credit review and analysis of any imbedded options such as call features before purchase.
6. Standards concerning the liquidity of securities held, or available, for sale.
7. Dual control over purchases and sale of securities.
8. Preparation of detailed transaction reports of purchases and sales, including the reasons for such transactions, for review by the board.
9. Periodic analysis of the portfolio for compliance with existing policies.
10. And finally, a policy concerning the permissible use of derivatives as either primary investments, or part of a plan for hedging of risk.

A well managed securities portfolio can be very beneficial to any bank, and reduce overall risk and provide stability to earnings. However, securities are not risk-free, and like any other new line of business require an investment of management's time both in pre-planning and ongoing supervision and control of those risks.

MoneySmart Receives Service to America Medal

MoneySmart recently received a Service to America Medal for making a significant contribution to the nation in activities related to business and commerce by bringing financial education to more than 100,000 low- and moderate-income Americans across the country. The award is sponsored by Partnership for Public Service; a nonpartisan, nonprofit organization dedicated to revitalizing public service through a campaign of educational efforts, policy research, public-private partnerships and legislative advocacy.

The Federal Deposit Insurance Corporation (FDIC) developed the MoneySmart program to help adults outside the financial mainstream enhance their money skills and create positive banking relationships. The Money Smart curriculum, which is available in English, Spanish, Chinese and Korean helps individuals build financial knowledge, develop financial confidence, and use banking services effectively.

The Department of Financial Institutions (DFI) is proud to be an alliance member of MoneySmart. We encourage all DFI licensees to learn about and participate in this important program. For more information, visit the Money Smart page on the FDIC Web site at:
<http://www.fdic.gov/consumers/consumer/moneysmart/index.html>.

Commercial Bank Activity

New Bank

Bank of Escondido
200 West Grand Avenue, Escondido, San Diego County
(760) 520-0400
Web Site: www.bankofescondido.com
Officers: Michael R. Peters, President and Chief Executive Officer
Glenn Marshall, Executive Vice President and Chief Credit Officer
Linda Blakley, Vice President and Operations Manager
Capitalization: \$9,900,000.00
Opened: 10/14/03

Continental Bank of America
17700 Castleton Street, City of Industry, Los Angeles County
(626) 363-8988
Officers: Peter Koos, President and Chief Executive Officer
Terry Lou, Managing Director
Robert Scott, Chief Credit Officer
Capitalization: \$8,385,000.00
Opened: 10/6/03

New Bank (Continued)

Diablo Valley Bank

402 Railroad Avenue, City of Danville, Contra Costa County

(925) 314-9109

Web site: www.diablovalleybank.com

Officers: James A. Mayer, President and Chief Executive Officer

John J. Hounslow, Chairman and Chief Administrative Officer

Carmela D. Johnson, Senior Vice President and Chief Financial Officer

Capitalization: \$16,500,000.00

Opened: 10/20/03

Five Star Bank Natomas

2400 Del Paso Road, Sacramento, Sacramento County

Correspondent: Gary Steven Findley, Esq.

Gary Steven Findley & Assoc.

1470 North Hundley Street

Anaheim, CA 92806

(714) 630-7136

E-mail: gsf@findley-reports.com

Approved: 10/1/03

(Name was amended from Five Star Bank of Natomas on 8/13/03)

(Address was corrected from 2400 Del Paso Boulevard, Sacramento)

The Private Bank of the Peninsula

505 Hamilton Avenue, Palo Alto, Santa Clara County

(650) 843-2265

Web Site: www.the-private-bank.com

Officers: James C. Wall, Chairman and Chief Executive Officer

Robert S. Holden, President and Chief Lending Officer

Stephen R. Jones, Chief Financial Officer

Capitalization: \$18,430,000.00

Opened: 10/1/03

Redwood Capital Bank

In the city of Eureka, Humboldt County

Correspondent: John E. Dalby

200 East Higgins, Eureka, CA 95503

Phone: (707) 616-9690

Approved: 10/28/03

New Bank (Continued)

San Diego Trust Bank

2550 Fifth Avenue , Suite 120, San Diego, San Diego County

(619) 525-1700

Web site: www.sandiegotrust.com

Officers: Michael E. Perry, President and Chief Executive Officer

James T. "Toby" Reschan, Executive Vice President and Chief Administrative Officer

J. M. "Mike" Justice, Jr., Executive Vice President and Chief Financial Officer

Capitalization: \$12,000,000.00

Opened: 10/30/03

Merger

Feather River State Bank, Yuba City, with and into Humboldt Bank, Eureka

Filed: 10/1/03

General Bank, Los Angeles, with and into Cathay Bank, Los Angeles

Effectuated: 10/20/03

North Coast Bank, National Association, Santa Rosa, with and into American River Bank, Sacramento

Filed: 10/16/03

Ojai Valley Bank, Ojai, with and into Mid-State Bank & Trust, Arroyo Grande

Effectuated: 10/31/03

Purchase of Partial Business Unit

Bank of Visalia, Visalia, to acquire Fresno branch office of Humboldt Bank, Eureka

Effectuated: 10/10/03

Acquisition of Control

Boston Private Financial Holdings, Inc., to acquire control of First State Bank of California, Granada Hills

Filed: 10/30/03

L. Dale Crandall, to acquire control of Pacific Union Bank, Los Angeles

Filed: 10/17/03

Approved: 10/23/03

Final Order (Financial Code 1913)

California Oaks State Bank, Thousand Oaks

Issued: 10/30/03

Premium Finance Company Activity

New Premium Finance Company

ING Finance
2780 Skypark Drive, Suite 300, Torrance, Los Angeles County
Approved: 10/22/03

Insurance Premium Plan, Inc.
6046 Cornerstone Court West, San Diego, San Diego County
Approved: 9/18/03
Opened: 10/13/03

Professional Premium Finance Corporation
2501 E. Chapman Ave., Suite 100, Fullerton, Orange County
Approved: 10/22/03

Spartan Premium Finance Company, Inc.
2751 Alpine Boulevard, Alpine, San Diego County
Filed: 10/28/03

West Coast Premium Finance Corp.
2501 East Chapman Avenue, Suite 100, Fullerton, Orange County
Opened: 10/7/03

Acquisitions of Control

Hudson United Bank, to acquire control of FPCAL, Inc., Woodland Hills
Approved: 10/24/03

Hudson United Bank, to acquire control of Westchester Premium Acceptance Corporation of California, Woodland Hills
Approved: 10/24/03

Voluntary Surrender of License

Bay Budget Plan, Inc.
2501 East Chapman Avenue, Fullerton, Orange County
Effected: 10/20/03

Brokers Premium Finance, Inc.
2501 East Chapman Avenue, Fullerton, Orange County
Effected: 10/20/03

Foreign (Other State) Bank Activity

New Facility

Crescent Bank & Trust (Facility – Insured Bank)
4614 Sheridan Road, Oceanside, San Diego County
Opened: 10/20/03

Credit Union Activity

Merger

Gentelco West Federal Credit Union, Long Beach, into Pacific Community Credit Union, Fullerton
Effected: 9/30/03

San Francisco Joint Board I.L.G.W.U. Credit Union, San Francisco, into Bay Media Federal Credit Union, San Francisco
Effected: 10/22/03

Change of Name

America's Choice Credit Union to change its name to My Credit Union
Filed: 10/1/03

Church/Co-Op Credit Union to change its name to Capital City Credit Union
Approved: 10/22/03

Field of Membership

Eight credit unions received approvals to add 15 new fields of membership during September 2003.

Bylaw Amendment

Two credit unions received approval for two bylaw amendments during September 2003.

Amendment of Articles of Incorporation

Three credit unions received approvals for three amendments of articles of incorporation during September 2003.

Variances

Three credit unions received approvals for three requests for variance to sections of the California Code of Regulations during September 2003.

Transmitter of Money Abroad Activity

Acquisitions of Control

Global Payments Inc., to acquire control of DolEX Dollar Express, Inc.

Filed: 10/27/03

Approved: 10/29/03

Voluntary Surrender of License

Travelex Inc.

Effected: 7/30/03

DONALD R. MEYER

Commissioner of Financial Institutions

Bulletin for Month ended
October 2003, issued pursuant
to Financial Code, Section 258



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